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DE RUEHBR #0437 0661325  
ZNR UUUUU ZZH  
R 071325Z MAR 06  
FM AMEMBASSY BRASILIA  
TO RUEHC/SECSTATE WASHDC 4714  
INFO RUEHSD/AMCONSUL SAO PAULO 6498  
RUEHRC/AMCONSUL RECIFE 4428  
RUEHRI/AMCONSUL RIO DE JANEIRO 1643  
RUEHAC/AMEMBASSY ASUNCION 5278  
RUCPDO/USDOC WASHDC

UNCLAS BRASILIA 000437

SIPDIS

OPIC FOR GREENBERG  
TREASURY FOR FPARODI  
USDOC FOR 3134/USFCS/OIO/WH/SHUPKA  
USDOC FOR 4332/ITA/MAC/WH/OLAC/MWARD

SENSITIVE  
SIPDIS

E.O. 12958: N/A  
TAGS: EINV BR  
SUBJECT: APPLICATION FOR OPIC FINANCE: COMSAT INTERNATIONAL

REF: STATE 28219

¶1. (U) Per reftel tasking, post submits the following regarding COMSAT and VICOM activities in Brazil.

¶2. (SBU) Begin Text.

On January 28, 2005, the Ministry of Communication signed a contract with VICOM (which is owned by COMSAT) in the amount of R\$114 million for the implementation of the GOB's digital inclusion Electronic Government Services to the Citizens program (GESAC). The 30-month contract aims to connect 5,500 municipalities, providing broadband internet connectivity to all. Previously, an Israeli company ran the GESAC program, using satellites provided by TELSAT. When VICOM took over the program, an agreement was made to continue utilizing the TELSAT satellites to avoid any discontinuation of service. As of October 2005, the program had reached 3,200 municipalities including public schools and NGOs. Nevertheless, in November 2005, the Canadian Embassy contacted Commercial Attaché to share its concerns regarding VICOM's failure to make contract payments to TELSAT. VICOM couldn't pay TELSAT because the Ministry of Communication was in arrears on its payments to VICOM. The Canadians wanted to discuss possibilities of joint advocacy to the Ministry of Communication for payment of the contract.

(Traditionally, there are often problems in getting government agencies such as the Ministry of Communication to remain current on their obligations). At that time, the Ministry of Communication was 3-4 months in arrears, and VICOM was threatening to shut down the servers. On November 23, the Ministry of Communication paid VICOM two of the 4 months of payments due. On November 25, VICOM then paid TELSAT 70% of the outstanding balance due.

During the same time period, the Ministry of Communication began to restructure the GESAC program. In early October 2005, Joaniilson Ferreira, the Secretary of the Electronic Communication for the Ministry of Communications publicly stated that the Ministry wished to substitute in some localities the existing GESAC satellite connection (provided by TELSAT) for some other type of internet connection (potentially broadband, supplied by VICOM). As a result of this process, the Ministry of Communication asked VICOM in November 2005 to disconnect some of its data and call centers.

On January 31st, 2005, VICOM won a 60-month, R\$ 283 million contract with Caixa Economica Federal(CEF) to provide telecommunication and data transmission services to more than 9,000 lottery agents throughout Brazil. According to CEF, its business relationship with VICOM is good and the company is satisfied with VICOM's services.

The issue of lottery contracts in general has been controversial in

Brazil as allegations of undue influence/bribery had swirled around the previous operator of the lottery, the firm GTECH. GTECH is no longer involved in the lottery process.

End Text.

LINEHAN